

Cara Janela M. Lorenzo <carajanela.lorenzo@holcim.com>

SEC Form 17Q_Q3 2022 for Holcim Philippines Inc., and Subsidiaries

1 message

Cara Janela M. Lorenzo <carajanela.lorenzo@holcim.com>
To: "Bryan Jason P. Alix" <bryanjason.alix@holcim.com>

Thu, Nov 10, 2022 at 9:22 AM

----- Forwarded message -----

From: **ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph>
Date: Thu, Nov 10, 2022 at 9:14 AM
Subject: Re: SEC Form 17Q_Q3 2022 for Holcim Philippines Inc., and Subsidiaries
To: <dennis.segovia@holcim.com>

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FOR MC28, please go to SEC website:

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COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

Dennis G. Segovia Jr.

(Contact Person)

8581-1511

(Company Telephone Number)

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Month Day
(Fiscal Year)

SEC FORM 17-Q

For the quarter ended September 30, 2022
(Form Type)

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Month Day
(Annual Meeting)

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(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

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Amended Articles Number/Section

5,233

Total No. of Stockholders

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Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2022
2. Commission identification number 026126 3. BIR Tax Identification No 000-121-507-000
4. Exact name of issuer as specified in its charter HOLCIM PHILIPPINES, INC.
5. Province, country or other jurisdiction of incorporation or organization Republic of the Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
8. Issuer's telephone number, including area code (632) 8581-1511
9. Former name, former address and former fiscal year, if changed since last report N. A.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	6,452,099,144

11. Are any or all of the securities listed on a Stock Exchange?

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements.

Exhibit I – Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021

Exhibit II – Consolidated Statements of Income for the quarters ended September 30, 2022 and 2021

Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended
September 30, 2022 and 2021

Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the quarters ended
September 30, 2022 and 2021

Exhibit V – Consolidated Statements of Cash Flows for the quarters ended September 30, 2022 and
2021

Exhibit VI – Aging of Trade and Other Receivables as of September 30, 2022

HOLCIM PHILIPPINES, INC.
 CONSOLIDATED BALANCE SHEETS
 As of September 30, 2022 and December 31, 2021
(In Thousands)

	30 Sept 2022	31 Dec 2021
ASSETS		
Current Assets		
Cash in banks	P1,941,091	P501,208
Trade and other receivables - net	2,177,509	1,717,218
Inventories	4,574,939	4,347,057
Short-term financial receivables	373,051	238,582
Other current assets	620,787	360,052
Total Current Assets	9,687,377	7,164,117
Noncurrent Assets		
Investments	4,187,086	4,124,345
Property, plant and equipment – net	18,946,884	19,502,248
Right-of-use assets	1,358,323	1,544,292
Goodwill	2,635,738	2,635,738
Intangibles – net	26,538	32,505
Retirement assets – net	2,484,494	2,468,661
Long-term financial receivables	238,582	–
Other noncurrent assets	1,002,375	2,879,572
Total Noncurrent Assets	30,880,020	33,187,361
	P40,567,397	P40,351,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	8,191,549	8,566,340
Current portion of lease liabilities	188,707	171,418
Income tax payable	69,611	148,958
Total Current Liabilities	8,449,867	8,886,716
Noncurrent Liabilities		
Long-term lease liabilities	1,309,513	1,475,239
Provisions	63,043	73,043
Deferred tax liabilities – net	81,044	112,025
Total Noncurrent Liabilities	1,453,600	1,660,307
Equity Attributable to Equity Holders of Parent		
Capital stock	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Remeasurement loss on retirement benefits - net	1,806,860	1,806,860
Other reserves	377,101	4,050
Retained earnings	13,536,135	13,048,740
	30,648,197	29,787,751
Noncontrolling Interest	15,733	16,704
Total Stockholders' Equity	30,663,930	29,804,455
	P40,567,397	P40,351,478

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended September 30, 2022 and 2021
(In Thousands, Except Per Share Data)

	Quarter Ended		Nine (9) Months Ended	
	Jul-Sept 2022	Jul-Sept 2021	Jan-Sept 2022	Jan-Sept 2021
Net Sales	₱6,941,356	₱6,486,778	₱19,111,687	₱20,148,195
Cost of sales	5,714,111	4,764,565	15,050,922	14,651,228
Gross Profit	1,227,245	1,722,213	4,060,765	5,496,967
Operating expenses	239,306	416,698	988,150	1,040,527
Operating EBITDA	987,939	1,305,515	3,072,615	4,456,440
Depreciation and amortization	418,784	440,287	1,295,719	1,363,515
Profit from Operations	569,155	865,228	1,776,896	3,092,925
Other income (expenses)				
Net financial income (expense)	2,785	(38,607)	(81,281)	(65,249)
Other income (expense) - net	(735,656)	17,825	(1,008,067)	91,681
Total	(732,871)	(20,782)	(1,089,348)	26,432
Profit (loss) before Income Tax	(163,716)	844,446	687,548	3,119,357
Provision for income tax				
Current	3,856	150,804	235,139	728,092
Deferred	5,895	24,081	(35,588)	90,968
	9,751	174,885	199,551	819,060
Profit (loss) for the Period	(173,467)	669,561	487,997	2,300,297
Non-controlling interest	(192)	(300)	(603)	(842)
Profit (loss) for the period attributable to Equity holders of the Parent Company	₱(173,275)	₱669,261	₱487,394	₱2,299,455
Basic/Diluted Earnings Per Share (EPS)				
Computation of EPS:				
(a) Profit (loss) for the period attributable to Equity holders of the parent company	₱(173,275)	₱669,261	₱487,394	₱2,299,455
(b) Common shares issued and outstanding	6,452,099	6,452,099	6,452,099	6,452,099
EPS [(a)/(b)]	₱ (0.027)	₱ 0.104	₱ 0.076	₱ 0.356

HOLCIM PHILIPPINES, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the quarters ended September 30, 2022 and 2021
(In Thousands)

	Quarter Ended		Nine (9) Months Ended	
	Jul-Sept 2022	Jul-Sept 2021	Jan-Sept 2022	Jan-Sept 2021
Total Comprehensive Income (Loss)	₱(173,467)	₱669,561	₱487,997	₱2,300,297
Attributable to:				
Equity holders of Parent Company	(173,275)	669,261	487,394	2,298,976
Non-controlling interest	(192)	(300)	(603)	(1,321)
Total Comprehensive Income (Loss)	₱(173,467)	₱669,561	₱487,997	₱2,300,297

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the nine (9) months ended September 30, 2022 and 2021
(In Thousands)

	Jan-Sept 2022	Jan-Sept 2021
Capital Stock		
Common Stock		
Balance at beginning of period	P6,452,099	P6,452,099
Issuances (Retirement)	—	—
Balance at end of period	6,452,099	6,452,099
Additional Paid-in Capital		
Balance at beginning of period	8,476,002	8,476,002
Issuances (Retirement)	—	—
Balance at end of period	8,476,002	8,476,002
Other comprehensive income	1,806,860	1,423,446
Other reserves	377,101	4,050
Retained Earnings		
Balance at beginning of period	13,048,741	13,261,328
Profit for the Period	487,394	2,299,455
Cash dividend – (0.43 per share, 2021)	—	(2,774,402)
Balance at end of period	13,536,134	12,786,381
Non-controlling Interest	15,733	16,451
	P30,663,930	P29,158,429

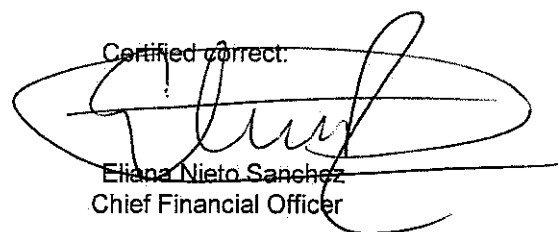
HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine (9) months ended September 30, 2022 and 2021
(In Thousands)

	Jan-Sept 2022	Jan-Sept 2021
Operating Activities		
Profit before Income Tax	₱687,548	₱3,119,357
Adjustments to reconcile profit to cash		
Depreciation and amortization	1,295,719	1,363,515
Other items – net	(295,518)	(741,302)
Changes in current assets and liabilities	(1,339,168)	(1,580,784)
Cash provided by operating activities	348,581	2,160,786
Investing Activities		
Additions to plant, property and equipment	(578,359)	(796,916)
Increase in other investing activities	1,877,198	75,788
Cash provided by / (used in) investing activities	1,298,839	(721,128)
Financing Activities		
Proceeds from short-term loans	1,167,669	–
Payment of short-term loans	(1,233,794)	–
Repayment of long-term leases	(148,940)	(341,672)
Loan repayments made by related party	–	227,090
Cash dividends paid	–	(2,244,640)
Cash used in financing activities	(215,065)	(2,359,222)
Net increase (decrease) in cash and cash equivalents	1,432,355	(919,564)
Cash in banks, beginning	501,208	2,080,791
Effect of exchange rate changes on cash in banks	7,528	261
Cash in banks, end	₱1,941,091	₱1,161,488

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of September 30, 2022
(In Thousands)

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	₱1,201,904	₱937,490	₱94,040	₱36,348	₱134,026
Other Receivables	1,041,840	40,144	12,502	58,217	930,977
Total		₱977,634	₱106,542	₱94,565	₱1,065,003
Allowance for Doubtful Accounts	(66,235)				
Net Receivables	₱2,177,509				

Certified correct:



Eriana Nieto Sanchez
Chief Financial Officer

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

At the end of the third quarter, the Group posted net sales of ₱19.1 billion, lower by 5% compared to ₱20.2 billion reported in the same period last year. This is due to lower volume of sales due to lower demand.

The Group reported total EBITDA of ₱3.07 billion, lower by 31% as compared to ₱4.5 billion reported during the same period last year. Margin performance was affected due to significant energy costs and lower volumes. Also, higher raw material cost and distribution cost contribute to lower EBITDA. The Group incurred higher financial expense related to its short-term payables and lease liabilities due to loans obtained from related party and third party. Settlement related to previous cases with a former contractor that also impacted the net income. Net income after tax stood at ₱0.49 billion giving earnings per share of ₱0.076.

Financial Position

The Group's financial position has remained healthy with stable liquid cash position. The return on assets declined to 1.2% as of September 30, 2022 which is 5.1 percentage points lower from the end of 2021 as a result of lower net income. Total assets stood at ₱40.57 billion as of September 30, 2022, 0.55 percentage points higher from end of 2021.

Cash Flow Generation

The Group's cash requirements were mainly sourced through cash from operating and investing activities. As of September 30, 2022, the group has outstanding related party loan payables which were obtained to support its short term working capital requirements.

Key Performance Indicators

The comparative financial KPI's of the Group for the periods ended September 30, 2022 and 2021 were as follows:

Financial KPI	Definition	For the period ended September 30	
		2022	2021
<u>Profitability</u>			
Return on Equity (ROE)	Net Income	1.6%	7.8%
	Ave. Total Shareholders' Equity		
Return on Asset (ROA)	Net Income	1.2%	5.6%
	Average Total Assets		
<u>Efficiency</u>			
EBITDA Margin	Operating EBITDA	16.1%	22.1%
	Net Sales		
<u>Liquidity</u>			
Gearing	Net Financial Debt (Asset)	(4.6%)	(2.9%)
	Stockholders' Equity		
EBITDA Net Interest Cover	Operating EBITDA	36.6 times	53.6 times
	Net Interest		

Profitability and Efficiency

Profitability and efficiency indicators have decreased as compared to the same period last year due to lower income generated from operations.

Liquidity

The Group's liquidity position remains strong as evidenced by higher cash balance.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2021.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments effective **after the reporting period ended December 31, 2021**:

PFRS 17 — Insurance Contracts

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4, Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The adoption of the new accounting standard does not have an impact on the Group since it is not an issuer of insurance contracts.

Amendments to PFRS 3, References to the Conceptual Framework

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The Management of the Group is still evaluating the impact of these new amendments.

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2, Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1 – Subsidiary as a first-time adopter

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to PFRS 9 – Fees in the ‘10 percent’ test for derecognition of financial liabilities

The amendment clarifies that in applying the ‘10 percent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to PFRS 16 – Lease Incentives

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated..

Amendments to PAS 41 – Taxation in fair value measurements

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements

of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

The amendments are as follows:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 8, Definition of Accounting Estimates

With the amendment, accounting estimates are now defined as —monetary amounts in financial statements that are subject to measurement uncertainty.¶

The amendment clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The Board also adds an illustrative example to PAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – Comparative Information

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.

The main amendment in Initial Application of PFRS 17 and PFRS 9 — Comparative Information (Amendment to PFRS 17) is a narrow-scope amendment to the transition requirements of PFRS 17 for entities that first apply PFRS 17 and PFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of PFRS 17 and PFRS 9, but where this information has not been restated for PFRS 9.

Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of PFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PFRS 9.

There are no changes to the transition requirements in PFRS 9

The amendment is effective for annual periods beginning on or after January 1, 2025, as amended by the FRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Still subject to approval of the Board of Accountancy.

The Management of the Group is still evaluating the impact of these new amendments.

New Accounting Standards Effective in 2021 - Adopted by Financial Reporting Standards Council (FRSC).

The Company adopted all accounting standards and interpretations as at December 31, 2021. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the Group's consolidated financial statements, are as follows:

Amendments to PFRS 16, Covid-19-Related Rent Concessions beyond June 30, 2021

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16) which extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

In the current financial year, the Group has applied the amendment to PFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022); and
- c) There is no substantive change to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued.

The amendment does not have a significant impact on the Group's consolidated financial statements as there has been no reduction in lease payments for its existing lease contracts within the financial year.

PIC Q&A No. 2020-07, PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed.

Interpretation that discussed the impact on the financial statements ended December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020.
- If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed.
- If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the FS.

For the financial statements ended December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense(income) may include “any adjustments recognized in the period for current tax of prior periods” and “the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes”.
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed.
- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return.
- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates.
- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

The interpretation is effective on or after January 29, 2021.

The Group has applied the interpretation starting March 2021. Payments made in April 2021 for 2020 income tax due applied the transitory rate of 27.5%. Accordingly, the new income tax rate of 25% and MCIT rate of 1% were applied by the Group throughout the year. Moreover, the current income tax for the current year included the difference between income tax per 2020 financial statements and 2020 income tax return as an income tax benefit.

2. Seasonality Aspects of the Business

Like any other company in the construction industry, the operations of the Group are affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in productions.

3. Financial Risk Management Objectives and Policies

General Risk Management Approach

The Group is exposed to various financial risks, which include the effect of changes in debt structure, equity market prices, foreign currency exchange rates and interest rates. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential and adverse effects on the financial performance of the Group. The Group does not enter into other derivative or financial transactions which are unrelated to its operating business as a risk-averse approach is pursued.

Financial risk management of the Group is governed by policies approved by management. It provides principles for overall risk management, as well as policies covering specific risk areas such as interest rate risk, foreign exchange risk, counterparty risk, and use of derivative financial instruments and investing assets in excess of liquidity requirements.

The Group’s principal financial instruments, other than derivatives, consist of cash and cash equivalents and notes payable. The main purpose of these financial instruments is to raise funds for the Group’s operations. The Group also has various other financial assets and liabilities such as trade and other receivables, advances to employees, guarantee deposits, restricted cash and trade and other payables which arise directly from operations.

The main risks arising from the Group’s financial instruments are market risks (which include foreign currency risk and interest rate risk), credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below. The Group’s accounting policies in relation to financial instruments are set out in Note 5 to the consolidated financial statements.

Market Risks

The Group is exposed to market risks, such as foreign currency and interest rate risks. To manage volatility relating to these exposures, the Group enters into derivative financial instruments, when necessary. The Group's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency, interest rate and equity price.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. As of September 30, 2022, there are no revenues denominated in currencies other than the Philippine Peso.

Due to the local nature of the cement business, transaction risk is limited. However, income may primarily be in local currency whereas debt servicing and significant amount of capital expenditures may be in foreign currencies. As a consequence, thereof, the Group may enter into derivative contracts whenever necessary, which may be designated either as cash flow hedges or fair value hedges, as appropriate.

As of September 30, 2022, the Group had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Group's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Group may enter into derivative transactions, as appropriate. As at September 30, 2022 and 2021, the Group has minimal exposure to interest rate risk.

Credit Risk

Credit risk is the risk that counterparties may not be able to settle their obligations as agreed. To manage this risk, the Group periodically assesses the financial reliability of customers.

The Group constantly monitors its credit risk exposures. Counterparties to financial instruments consist of a large number of major financial institutions. The Group does not expect any counterparties to fail in meeting their obligations, given their high credit ratings. In addition, the Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

The maximum and minimum exposure to credit risk is represented by the carrying amount of each financial asset.

The Group trades only with recognized, credit-worthy third parties. It is the Group's policy that all third party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts to minimum.

With respect to credit risk arising from the other financial assets of the Group, which consist of due from related parties, advances to employees, financial assets at FVTPL, and guarantee and refundable deposits, the Group's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its contractual obligations and commitments. The seasonality of revenue generation exposes the Group to shortage of funds during slack season and may result in payment defaults of financial commitments. The Group monitors this risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities, and purchase contracts. It is responsible for its own cash surpluses and the raising of loans to cover cash deficits, subject to policies and guidelines approved by management and, in certain cases, at the Management level.

The Group maintains sufficient reserves of cash in banks, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Group allows it to make efficient use of the financial markets for financing purposes. As at September 30, 2022, the Group has unutilized credit facilities of ₱13.4 billion.

Capital Management Policy

The Group considers equity attributable to the equity holders of the Parent Company as its capital. The Group's objectives when managing capital are to secure the Group's ongoing financial needs to continue as a going concern as well as to cater for its growth targets in order to provide returns to shareholders and benefits for other stakeholders and to maintain a cost-efficient and risk-optimized capital structure.

The Group manages the capital structure and makes adjustments to it in light of the changes in economic conditions, its business activities, investment and expansion program and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital, among others, on the basis of gearing ratio.

4. Financial Assets and Liabilities

Fair Value of Financial Instruments

The estimated fair value of each class of the Group's financial instruments, is equal to their carrying amount as at September 30, 2022 and December 31, 2021. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash in Banks, Trade and Other Receivables, Advance to Employees, Loan Receivable from a related party, Long Term Financial Receivable, Loan Payable and Trade and Other Payables. Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as at end of each reporting period.

Derivatives. The fair values of the embedded currency forwards are calculated by reference to current forward exchange

Financial Assets at FVTPL The fair values of publicly traded instruments are determined by reference to quoted market prices as at the end of each reporting period.

Long Term Financial Receivable and Guarantee Deposits. These are carried at cost, less any impairment in value, which approximates their fair values calculated using the discounted cash flows method.

Fair Value Hierarchy

As at September 30, 2022 and December 31, 2021, the Group's financial instruments measured at fair value include only the quoted equity securities, classified as financial assets at FVTPL (Level 1).

As at September 30, 2022 and December 31, 2021, the Group does not have financial instruments whose fair values are determined using inputs that are not based on observable market data (Level 3). There were no reclassifications made between the different fair value hierarchy levels in 2022 and 2021.

5. **Segment Reporting**

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Management reassesses on an annual basis whether there have been any change in the operating segments or in the reportable operating segments in accordance with PFRS 8, *Operating Segments*.

For management purposes, the Group is organized into activities based on their products and has two segments, as follows:

- Clinker and Cement segment, which manufactures and sells clinker and cement for domestic customers; and
- Other Construction Materials and services segment, which includes operations from Helps-U-Build-Better (HUBB) Specialty products and Aggregates Trading.

Management monitors the operating results of its business segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is based on operating EBITDA and is measured consistently with consolidated net income in the consolidated statement of profit or loss and other comprehensive income. However, the Group's finance income and charges and income taxes are managed on a group basis, and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

Segment revenues, EBITDA, assets and liabilities as at September 30, 2022 and 2021 are presented below:

	2022				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	₱18,418,415	₱605,735	₱19,024,150	₱ 87,537	₱19,111,687
Inter-segment	10,922	184	11,106	(11,106)	-
	₱18,429,337	₱605,919	₱19,035,256	₱76,431	₱19,111,687
Operating EBITDA	₱4,075,109	₱404,474	₱4,479,583	₱(1,406,968)	₱3,072,615
Segment assets	31,176,152	358,922	31,535,074	9,032,323	40,567,397
Segment liabilities	7,164,412	1,125,147	8,289,559	1,613,908	9,903,467

	2021			Adjustments and eliminations	Consolidated
	Clinker and cement	Others	Total		
<i>(In Thousands)</i>					
Revenue:					
External customers	₱19,337,405	₱739,388	₱20,076,793	₱71,402	₱20,148,195
Inter-segment	10,007	15	10,022	(10,022)	–
	₱19,347,412	₱739,403	₱20,086,815	₱61,380	₱20,148,195
Operating EBITDA	₱ 5,312,102	₱549,748	₱ 5,861,650	(₱1,405,410)	₱4,456,440
Segment assets	30,469,207	313,907	30,783,114	9,932,164	40,715,278
Segment liabilities	8,689,969	551,172	9,241,141	2,315,708	11,556,849

* Chief operating decision maker is composed of the Group's Executive Committee

6. Retained Earnings

The BOD did not declare any cash dividends as of September 30, 2022.

Interim Disclosures

	2022	2021
<i>(in Thousands)</i>		
Other financial assets	₱258,226	₱2,135,778

Other financial assets include a mine rehabilitation fund for site restoration purposes and a deposit with the Metropolitan Bank and Trust Company in relation to one of the pending cases between the Company and Seasia Nectar Port Services, Inc. ("Seasia").

The Company negotiated with Seasia for the settlement and closure of all pending cases and both parties agreed on all the essential terms and conditions. The Company obtained the requisite court approvals and the amount of Php1.2 Billion was released to the Company and the balance of Php700 Million to the counterparty.

Aside from the disclosure above, the Group is not aware of the following or is not applicable to the Group's interim operations:

1. Unusual items that materially affect the Group's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.
2. Changes in estimates of amounts reported in prior financial years that have a material effect in the current period.
3. Issuances and repurchases of equity securities.
4. Material changes in contingent liabilities or contingent assets since the last annual balance sheet date.
5. Existence of material contingencies and other events of transactions that are material to an understanding of the current interim period.
6. Known trends, demands, commitments, events and uncertainties that will result in or likely to decrease its liquidity in any material way. The Group does not anticipate having within the next twelve (12) months any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing notes, loans, leases, other indebtedness or financing arrangements requiring it to make payments.
7. Events that will trigger direct or contingent material financial obligations to the Group.
8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Group with unconsolidated entities or other persons created during the year.
9. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales/revenues/income from continuing operations.
10. Significant elements of income or loss that did not arise from the Group's continuing operations.
11. Material events subsequent to end of the reporting period that have not been reflected in this report.
12. Material changes in the composition of the Group, including any business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.
13. Any seasonal aspect that had a material effect on the financial condition or results of operation.

Material Changes in Balance Sheet Accounts

287% increase in Cash and cash equivalents

Mainly due to short term loans secured from related party and due to release of restricted cash.

27% increase in Trade and other receivables

Increase was due to higher credit sales and lower collections during the period.

56% increase in Short term financial receivables.

Due to new short term derivative asset related to cash flow hedge.

72% increase in Other current assets

Largely attributable to the deferral of scheduled plant shutdown costs and increase in advances to suppliers.

12% decrease in Right-of-use assets

Due to normal depreciation expense.

18% decrease in Intangible assets

Due to normal monthly amortization.

65% decrease in Other non-current assets

Due to release of restricted cash from the settlement and closure of cases with Seasia referred to under "Interim Disclosures".

53% decrease in Income Tax payable

Mainly due to income generated as compared to prior year and the recognition of tax effect of deferral of scheduled plant shutdown costs.

11% decrease in long-term lease liabilities

Mainly due to payment of leases.

14% decrease in provisions

Lower due to settlement of pending litigation related to the provision.

28% decrease in deferred tax liabilities - net

Related to movement in profit for the period and impact of CREATE bill.

Material Changes in Income Statement Accounts

25% increase in Net financial income (expense)

Due to term short-term loans obtained from both third party and related party during the year.

1200% decrease in Other income (expense) - net

Mainly due to lower share in undistributed earnings and payment against settlement to Seasia referred to under "Decrease in Non-current assets".

76% decrease in Provision for income tax

Due to lower taxable income as of the current period.

28% decrease in Non-controlling interest in net income

Mainly due to lower profit of subsidiary compared to same period last year.

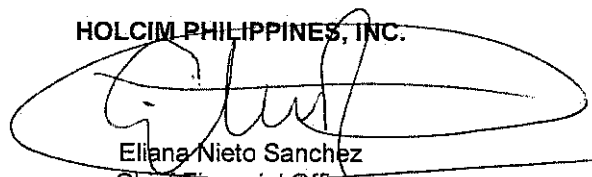
Holcim Philippines, Inc. and Subsidiaries
Schedule of Financial Soundness Indicators

Financial KPI	Definition	For the nine (9) Months Ended September 30	
		2022	2021
<u>Current/Liquidity ratio</u> Current Ratio	Current Assets Current Liabilities	114.6%	77.2%
<u>Solvency ratio/Debt-to-equity ratio</u> Gearing	Net Financial Debt (Asset) Stockholder's Equity	(4.6%)	(2.9%)
<u>Asset to Equity Ratios</u> Asset to Equity Ratio/ Equity Multiplier	Total Assets Stockholder's Equity	132.7%	139.6%
<u>Interest Rate Coverage Ratio</u> Interest Rate Coverage	Income before Tax Net Interest	8.2 times	37.5 times
<u>Profitability Ratios</u> Return on Assets	Net Income Average Total Assets	1.2%	5.6%
Return on Equity	Net Income Average Total Equity	1.6%	7.8%

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOLCIM PHILIPPINES, INC.



Ellana Nieto Sanchez
 Chief Financial Officer
 Date: November 3, 2022